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| *BISM Online Update: June 26, 2013* | |
| Marketing to the Gen Xers and Gen Yers |  |
| **By Andrew Singer**  A lot has been assumed about Generations X and Y. They are said to be tech savvy, app hungry—and under no circumstances can they be lured into a bank branch. But is this view too limited?  A recent study, which surveyed both consumers and bankers, suggests it is. That study found that younger consumers “did not necessarily want high-tech solutions in isolation, but as importantly, want support, advice, and more knowledgeable people speaking to them than they currently experience in their banking interactions.”  The research, “Want to Know How Gen XYs Think about Banks and How that Differs from Bankers?” by industry consultant Carmen Effron, observes that “bankers within wealth management divisions often assume that the ‘high tech’ without the ‘touch’ will work. We feel this is a dangerous path to follow based on the research we recently finished.” |  |
| Gen Xers and Gen Yers *are* more likely to change their habits than older baby boomers, including the adoption of new technologies, but they also desire a certain amount of ‘high touch’ attention, agrees Sophie Schmitt, Aite Group senior analyst, Wealth Management.  “Wealth Management generally has to go further on the tech side; it’s still not convenient enough” for these young Gen Xers and Gen Yers when it comes to things like aggregating external accounts or offering online trading, Schmitt tells *BISM*.  That said, “They *are* as likely to work with financial advisors” as older bank clients, says Schmitt. “They want both expertise and convenience.”  There are certain limitations, of course. ‘High touch’ is expensive to provide. Gen Xers and Yers don’t often have the funds to qualify for full-service financial advice. But innovative banks can bridge the gap with technology tools. | |
| In Europe, for instance, UBS monitors the investment portfolios of its younger, less-than-affluent brokerage clients overnight. If something appears out of whack, the bank sends an “alert” to the client’s advisor, and the advisor passes on the alert via email to the client—often with a proviso, e.g., “in light of recent activity, I think we should do this....” This requires almost no work on the advisor’s part—an algorithm-fed computer does the heavy lifting. But these client emails offer the ‘feel’—if not the full experience—of personalized service, notes Schmitt.  In her study, Effron brought together a dozen younger consumers “to help us create an imaginary future bank that could best serve them as their wealth begins to accumulate, or as they inherit family assets. Everyone in the group had investable liquid assets of greater than $500,000.” |  |
| As the games progressed, one theme that emerged among these consumers “was that banking is still a people-to-people business, and what was needed most was someone to guide these consumers through their life transitions—from earning money to saving it, investing it, inheriting it, and finally enjoying it.  “The challenges of managing money for the Gen XYs of today are not getting easier,” notes Effron. What this group was imagining, playing with, and dreaming about was:   * “A way to get back to the kind of bank where they felt they ‘belonged’ ... a place that had the knowledge and advice they were looking for * “A place that could educate them on how to best protect their assets and use them wisely * “A guide that could help them design a sound budget and a workable plan for an uncertain future” |  |
| There are several relatively new investment platforms that appear to be moving in the right direction, in Schmitt’s view. One is LPL’s NestWise. An initial financial plan is available to clients for $250, followed by $40 per month for continuing financial advice. LearnVest, which pairs customers with a certified financial planner, is another promising platform.  Banks, however, still have a ways to go when it comes to closing the tech gap, which is also of keen interest to Gen XYers. “Beyond the top five banks, they are still behind,” says Schmitt. Most institutions have yet to provide “decent” online brokerage, for instance, often charging $20 a trade, or something on that order, which is expensive.  On the plus side, Merrill Lynch has salaried advisors who offer “holistic” financial advice over the telephone. Because they are salaried, these advisors are (presumably) not biased toward a specific product; they also discuss matters like debt management, and other activities above and beyond strict investing—a step in the right direction, in Schmitt’s view.  When it comes to ‘holistic’ brokerage service for younger consumers, U.S. banks are improving, Schmitt continues, but they still have a ways to go.  Overall, the challenge for banks is to improve efficiency with regard to financial advice—so even if a Gen XYer doesn’t have $250,000 to invest, that individual is still receiving at least *some* guidance of a personalized nature.  *Andrew Singer is editor-in-chief and publisher of Bank Insurance & Securities Marketing magazine. He can be reached at* [*asinger@bisanet.org*](mailto:asinger@bisanet.org)*. This is part of a longer story on marketing to Gen-Xers and Gen-Yers that will appear in the Summer 2013 issue of Bank Insurance & Securities Marketing magazine (print edition) in August.*  [Bank Insurance & Securities Marketing](http://server1.streamsend.com/streamsend/clicktracker.php?cd=5979&ld=170&md=945&ud=3fb2487244741ed2d9aa66f124edb5b1&url=https://bisa.site-ym.com/%3Fpage=BISMCurrent) *is published by the Bank Insurance and Securities Association (BISA).* | |